

Message Text

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INFO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY ATHENS

USMISSION NATO BRUSSELS

AMEMBASSY MOSCOW

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMCONSUL ZAGREB

USUN NEW YORK 687

USCNCEUR

C O N F I D E N T I A L BELGRADE 1422

E.O. 11652: GDS

TAGS: OGEN YO

SUBJ: YUGOSLAVIA - ANNUAL POLICY ASSESSMENT

REF: STATE 9732

1. SUMMARY: THE POLICY OF US SUPPORT FOR AN INDEPENDENT, UNIFIED AND VIABLE YUGOSLAVIA REMAINS VALID. FOCUS ON IT INCREASES AS TITO'S EXIT ENEXORABLY APPROACHES -- HE WILL BE 83 IN MAY. THAT INEVITABLE EVENT HAS SENSITIZED BOTH THE YUGOSLAV SCENE AND THOSE WHO WISH TO TAKE ADVANTAGE OF HIS DEPARTURE. BUT CONTRARY TO SOME REPORTS, THERE IS NO AIR OF CRISIS HERE. WE WILL WANT TO CONTINUE TO MAINTAIN, AND IF POSSIBLE INCREASE, INFLUENCE IN KEY AREAS OF SOCIETY.

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WHILE TITO REMAINS OUR BILATERALS WILL BE ON A GENERALLY EVEN KEEL WITH

BASIC US POLICY OBJECTIVES FULFILLED. WHEN HE GOES, THE NEAR TO MEDIUM-TERM PROSPECT IS FOR STABILITY, BUT A STABILITY SUBJECTED TO CONTINUING TESTING BY THOSE WHO WISH THE END OF TITOIST YUGOSLAVIA. THIS IN TURN WILL POSE BOTH PROBLEMS AND OPPORTUNITIES FOR US POLICY. END SUMMARY

2. SINCE 1948 IT HAS BEEN OUR INTEREST TO SUPPORT YUGOSLAV INDEPENDENCE, UNITY, TERRITORIAL INTEGRITY, AND ECONOMIC VIABILITY. OUR OBJECTIVE WAS AND IS TO KEEP YUGOSLAVIA OUT OF THE "BLOC", DENY THE SOVIETS ADRIATIC (AND MEDITERRANEAN) ACCESS, AND MAINTAIN A SOCIALIST YUGOSLAVIA DEMONSTRABLY FREE OF SOVIET HEGEMONY. OUR BASIC INTEREST AND OUR OBJECTIVES REMAIN UNCHANGED.

3. FOLLOWING FOUR YEARS OF POLITICAL UPHEAVAL SPARKED BY THE CROATIAN EVENTS OF 1971, NEW PARTY AND GOVERNMENT ORGANS WERE PUT IN PLACE A YEAR AGO. DESIGNED FOR THE TRANSITION FROM TITO, THESE INTERLOCK THE PARTY, THE ARMY AND THE GOVERNMENT SO THAT THE INTERESTS OF ALL ELEMENTS OF SOCIETY ARE REPRESENTED, PROTECTED AND MUTUALLY SUPPORTIVE. AT LEAST THAT IS THE IDEA.

4. BUT THE CULMINATION OF THIS PROCESS HAS NOT LED TO RELAXATION -- THE DRIVE FOR INCREASED DISCIPLINE IN THE PARTY AND SOCIETY CONTINUES AS THE YUGOSLAV LEADERSHIP STRIVES TO MAINTAIN OPTIMUM READINESS FOR THE DAY TITO GOES. THIS TENDENCY IS REINFORCED BY PREPARATIONS ON THE PART OF OTHERS, ALSO SENSITIZED BY THE COMING END OF AN ERA, WHO HAVE QUITE DIFFERENT OBJECTIVES. WHILE THE SMALL GROUPS OF PRO-SOVIET COMINFORMISTS AND CROATIAN SEPARATISTS UNCOVERED HERE HAVE NO LOCAL FOLLOWING AND POSE NO PRESENT THREAT, THEY DO DISTURB THE LEADERSHIP AS POSSIBLE HARBINGERS OF EVENTS WHEN TITO DIES, AND THUS ARE DEALT WITH PROMPTLY AND FIRMLY. THERE IS A CERTAIN GENERAL PERCEPTION OF THREAT FROM WITHOUT, FOSTERED IN GOOD MEASURE BY THE CONSTANT PUBLICITY GIVEN DISPUTES WITH NEIGHBORING AUSTRIA AND BULGARIA AND EXHORTATIONS TO VIGILANCE AGAINST ALL ENEMIES BOTH WITHIN AND WITHOUT.

HOWEVER, CONTRARY TO THE IMPRESSION CONVEYED BY SOME, THERE IS NOT AN AIR OF CRISIS. AND, HIGH-LEVEL EXCHANGES WITH THE WEST (LIKE THE RECENTLY HIGHLY-SUCCESSFUL BIJEDIC US VISIT) TEND TO CONFIRM TO THE YUGO-

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SLAVS THAT DANGERS TO THEIR STABILITY AND UNITY ARE MORE IMAGINED THAN REAL -- AT LEAST SO FAR AS THE WEST IS CONCERNED.

5. WITH OIL PRICES QUADRUPLED AND OTHER IMPORTED RAW MATERIALS ALSO UP DRASTICALLY, THE YUGOSLAV ECONOMY FACED DIFFICULTIES IN 1974 -- BUT ITS

RECORD IN MEETING THEM COMPARES FAVORABLY WITH THAT OF OTHER COUNTRIES,

DEVELOPED AND DEVELOPING. 1975 ALSO WILL BE DIFFICULT BUT AGAIN, IT APPEARS, MANAGEABLE WITH EFFORTS FOCUSED ON IMPROVING THE PAYMENTS BALANCE AND CHANNELING INVESTMENTS INTO PRIORITY AREAS. INFLATION-LIMITING MEASURES WILL NOT BE ALLOWED TO INTERFERE WITH YUGOSLAVIA'S DEVELOPMENT GOALS. COMPLETING THE PICTURE WILL BE EFFORTS TO EXPAND YUGOSLAVIA'S SELF-MANAGEMENT SYSTEM INTO NEW SPHERES AND IN NEW FORMS ABOUT WHICH THERE HAS BEEN MUCH TALK BUT LITTLE IN THE WAY OF CONCRETE RESULTS.

6. SO, IN OUR VIEW, US POLICY SHOULD BE DIRECTED TO STRENGTHENING YUGOSLAVIA TODAY, AND MAXIMIZING OUR LEVERAGE IN YUGOSLAVIA'S AFTER-TITO TOMORROW. THERE ARE SEVERAL FIELDS WE SHOULD CONTINUE TO TILL ASSIDUOUSLY:

A. AS THE OTHER (BESIDES THE PARTY), ALL-YUGOSLAV INSTITUTION, AND PERHAPS THE MOST COHESIVE, THE ARMY WILL BE KEY IN THE TRANSITION. WE SHOULD FOLLOW THROUGH SYSTEMATICALLY WITH OUR CONTACT-BUILDING EFFORTS THROUGH TRAINING PROGRAMS AND VISITS, AND CLOSELY STUDY THEIR MATERIEL NEEDS TO WHICH WE MIGHT RESPOND.

B. IN ADDITION TO CONTINUING HIGH-LEVEL OFFICIAL VISITS, WE SHOULD FOLLOW THROUGH PROMPTLY ON INVITATIONS TO KEY POST-TITO FIGURES, AND EXTEND INVITATIONS TO OTHERS LIKE BILIC AND GRICKOV. THEY'VE ALL BEEN TO MOSCOW AND IT'S TIME THEY SEE THE U.S.

C. WE SHOULD VIGOROUSLY ENCOURAGE FURTHER TRADE AND US INVESTMENTS, AND AT LEAST MODERATELY EXPAND OUR EXIM BANK PROGRAM. POSSIBLE MULTILATERAL COOPERATION IN ENERGY, RAW MATERIAL, TRADE, MONETARY AND DEVELOPMENT MATTERS SHOULD BE ACTIVELY EXPLORED, AND WE SHOULD PROMOTE COOPERATIVE VENTURES IN THIRD COUNTRY
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(PARTICULARLY LDC) MARKETS. ALTERNATIVE US SOURCES OF FUNDING FOR OUR JOINT SCIENTIFIC AND TECHNICAL PROGRAM SHOULD BE SOUGHT TO ENSURE A LASTING RELATIONSHIP IN THIS HIGHLY PRODUCTIVE AREA AND TO PROTECT THE YUGOSLAV CONTRIBUTION.

D. THE SOCIAL SCIENCES SECTOR OF OUR ACADEMIC EXCHANGES SHOULD BE EXPANDED, WE SHOULD HAVE MORE CULTURAL PRESENTATIONS, AND WE SHOULD INTENSIFY EFFORTS TO IDENTIFY AND ATTRACT COMERS FOR IVP GRANTS.

E. THE EMBASSY'S PROGRAM OF TRAVEL AND CONTACT-BUILDING OUTSIDE BELGRADE, AND PARTICULARLY IN THE LESS DEVELOPED REPUBLICS AND PROVINCES, SHOULD BE EXPANDED.

7. AND AS WE DO ALL THIS WE MUST KEEP IN SIGHT THAT THE IDEA IS

A DIALOGUE LEADING TO CONFIDENCE. WE SHOULD KEEP AN EYE ON OUR BASIC LONG-TERM INTERESTS AND, WHILE TELLING THE YUGOSLAVS CANDIDLY WHEN WE ARE DISPLEASED AT ACTIONS OR STATEMENTS WHICH ARE UNACCEPTABLE, ASCHEW ABRUPT RETALIATORY POLICY CHANGES WHICH INTERRUPT THE DIALOGUE AND CAST DOUBT ON OUR RELIABILITY AS A PARTNER.

8. COULD ADDED RESOURCES HELP? OF COURSE. SUCH THINGS AS MORE PROGRAM MONEY AND PEOPLE FOR TRADE DEVELOPMENT, INCREASED FUNDING FOR CULTURAL PRESENTATIONS AND TARGETED ACADEMIC EXCHANGES, MORE REPRESENTATION FUNDS, AND A LARGER BUDGET FOR TRAVEL, ALL WOULD HELP.

9. THE FUTURE? WHILE TITO REMAINS, OUR BILATERAL RELATIONS SHOULD CONTINUE ON THE PRESENT GOOD DEVELOPING PLANE -- WITH THE UNAVOIDABLE BUMPS AS THE YUGOSLAVS DO THEIR NONALIGNED THING. THIS WILL MEET OUR BASIC NEAR-TERM POLICY GOALS. AFTER TITO GOES, NEAR TO MID-TERM STABILITY LIKELY WILL BE PROVIDED BY THE GROUP OF LOYALISTS WHO WILL SUCCEED HIM. WHILE WE DO NOT ANTICIPATE ANY FUNDAMENTAL POLICY REORIENTATION, THIS WILL BE A PERIOD OF BOTH DANGER AND OPPORTUNITY: DANGER BECAUSE THOSE ELEMENTS WHO WISH ILL TO PERPETUATION OF A TITOIST YUGOSLAVIA WILL BE EXAMINING AND EXERCISING THEIR OPTIONS; OPPORTUNITY BECAUSE OUR GOALS WILL BE CLOSELY PARALLEL THOSE OF THE POST-TITO LEADERS, AND THEY TOO WILL RECOGNIZE THIS.

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